

DIRECT TESTIMONY OF PHILIP BARNHARD

IN ILLINOIS COMMERCE COMMISSION

DOCKET NO. 01-0704

Q. Please state your name and business address.

A. My name is Philip Barnhard IV. My business address is 316 Market Street, P.O. Box 220, Mt. Carmel, IL 62863.

Q. By whom are you employed and in what capacity?

A. I am the Chairman of the Board, President and Chief Executive Officer of Mt. Carmel Public Utility Co. ("Mt. Carmel" or "Company").

Q. Please describe your qualifications.

A. I received a Bachelor of Arts in Chemistry from Harvard College in 1951. I received a Master of Arts in Mathematics from the University of Delaware in 1959. I served as a naval officer aboard the U.S.S. Ingersoll (DD652) from June 1951 to August 1953, leaving active service as engineering officer. I joined the Explosives Department of E I DuPont de Nemours & Co. Inc., working as a chemist at the Repauno Works in Gibbstown, NJ, initially in polymer intermediates and heavy chemicals, later as a research chemist in commercial and military explosives. In 1968, I started a three year stint in the Control Division, working at business and financial analysis and on computer methods and systems. In January 1972, I joined Mt. Carmel for two years as Vice-President and Treasurer; my duties included formulating the Uniform Fuel

24 Adjustment Charge and implementing a conversion from manual posting of bills by  
25 Addressograph machinery to a computer. Later, I joined the Trojan - US Powder Divisions of  
26 Commercial Solvents Corporation as Technical Director. Part of my duties included the  
27 relocation of research facilities from Allentown, PA to Spanish Fork, UT. I left Trojan in late  
28 1981 to work for Apache Powder Company in Benson, AZ as Technical Director of explosives  
29 and nitric acid production. In July 1986 I joined Mt. Carmel as President. In 1989 I further  
30 assumed the position of Chairman and CEO.

31 In my position I am responsible for general management of the Company. I have  
32 implemented mechanization of office procedures where it has made sense, to reduce manual  
33 transcription of routine business data, to reduce lag time in generating reports required by authorities  
34 having jurisdiction, and to allow management to better perceive areas where corrective action is  
35 required. I have coordinated implementation of the computer and billing systems for the company. I  
36 have negotiated supply contracts for wholesale electric power and energy and for natural gas supply.

37 Q. Have you previously testified before this Commission?

38 A. I have testified before the Illinois Commerce Commission on behalf of the Company,  
39 particularly in areas of rates, FAC and PGA reconciliation, a major transmission line extension,  
40 and in requesting authority to seek financing for expansion.

41 Q. What is the purpose of your testimony today?

42 A. By Order dated November 7, 2001, the Illinois Commerce Commission ordered Mt. Carmel  
43 Public Utility Co. to present evidence showing the reconciliation of Purchased Gas Adjustment

44 revenues with the actual prudent cost of fuel and gas paid by the utility and authorized to be  
45 collected under the utility's provisions of the Purchased Gas Adjustment. The period to be covered  
46 is calendar year 2001.

47 These reconciliations have been made and my testimony is for the purpose of presenting  
48 them and other exhibits.

49 Q. Please describe what Exhibit G-1 attached to this testimony is.

50 A. Exhibit G-1 is a copy of Company's Purchased Gas Adjustment Clause on file with and  
51 approved by the Illinois Commerce Commission and in effect for the year 2001.

52 Q. Please describe what Exhibit G-2 attached to this testimony is.

53 A. Exhibit G-2 is a reconciliation of our receipts under the Purchased Gas Adjustment Clause  
54 with the cost of fuel paid by us in 2001. We have been filing monthly reports with the Illinois  
55 Commerce Commission under the Uniform Purchased Gas Adjustment Clause detailing our receipts  
56 and purchases so that information is on file with the Commission.

57 Q. Please explain page 1 of Exhibit G-2 which addresses the Commodity Gas Charge.

58 A. The net of the reconciliation is an over recovery of \$242,304.02 in the Commodity Gas  
59 Charge, with an unamortized balance of \$232,712.55 under recovered at December 31, 2000, plus a  
60 Factor O of \$0.00 to be collected, and an as filed balance of \$0.00 at December 31, 2001. Line 11 of  
61 page 1 shows an under recovery balance at December 31, 2001, of \$283,172.40. This minus the  
62 Factor A Adjustment shown on Line 12 result in a Requested Factor O of \$7,508.46 for the  
63 reconciliation year 2001, Commodity Gas Charge.

Q. Please explain page 2 of Exhibit G-2 which addresses the Non-Commodity Gas Charge.

A. Page 2 shows an under recovery of \$27,811.59 in the Non-Commodity Gas Charge, with an unamortized balance of \$0.00 at December 31, 2000, plus a Factor O of \$0.00, and an as filed balance of \$0.00 at December 31, 2001. Line 11 of page 2 shows an under recovery balance at December 31, 2001, of \$40,655.76. This minus the Factor A Adjustment shown on Line 12 result in a Requested Factor O of (\$3,001.05) for the reconciliation year 2001, Non-Commodity Gas Charge.

Q. Please explain page 3 of Exhibit G-2 which addresses the Combined Gas Charge.

A. Page 3 shows a total over recovery of \$214,492.43 for the Combined Gas Charges, with an unamortized balance of \$232,712.55 under recovered at December 31, 2000, plus a combined Factor O of \$0.00, and with an as filed unamortized balance of \$0.00 at December 31, 2001. Line 11 of page 3 shows an under recovery balance at December 31, 2001, of \$323,828.16. This minus the Factor A Adjustment shown on Line 12 result in a Requested Factor O of \$4,507.41 for the reconciliation year 2001, for the net of the Commodity and Non-Commodity Gas Charges (Combined Gas Charges).

Q. Who did you purchase natural gas from for the year 2001?

A. Our natural gas was purchased from Woodward Energy Inc., with transportation provided by the City of Grayville, Illinois and Texas Eastern Transmission Corp. Propane, of which none was used in 2001, would have been purchased from the lowest price supplier at the time of order.

Q. Have you detailed the monthly PGA filings with your testimony as an exhibit?

A. No, we believe the above exhibits, together with our monthly filings with the Commission,

84 are sufficiently clear to eliminate the need of detailing them at this time.

85 Q. Have you attached to your testimony a copy of your independent auditor's report addressing  
86 the PGA?

87 A. Yes, a copy of the independent auditor's report issued by Deloitte and Touche for the year  
88 ended December 31, 2001, is attached to this testimony.

89 Q. Have you or will you give notice to your customers of the PGA filing?

90 A. By the time of the hearings on this matter public notice will have been published twice in  
91 newspapers of general circulation in the cities and villages in which there are customers of the  
92 company who are affected by the filing. The first publication will have been within ten (10) days  
93 following the date of the filing and the second publication will have been made during the week  
94 following. Notice will also have been posted in a prominent place in the office of the company.  
95 Beginning with the date of this filing, copies of the same have been available to the public at the  
96 company's business office.

97 Q. Do you believe that all fuels and gas were prudently purchased?

98 A. Yes, I do.

99 Q. Do you have anything further at this time?

100 A. No, this concludes my testimony.

101